

U.S. DEPARTMENT OF ENERGY

PUBLIC SCOPING MEETING

STRATEGIC OIL RESERVE/PROPOSED SITES

OCTOBER 19, 2005

Ramada Inn, Houma, Louisiana

REPRESENTING THE DEPARTMENT OF ENERGY:

Steve Wyngarden, Department of Energy Contractor

David Johnson, Director, Planning & Engineering Office,
Office of Petroleum Reserves, U.S. Department of Energy

Polly Quick, Department of Energy Contractor

P R O C E E D I N G S :

MS. QUICK:

Let me call this meeting to order. My name is Polly Quick and I'm the facilitator for this meeting. What we're doing today at this meeting is asking for public comments as to the scope of the environmental impact study for the proposed expansion of the strategic petroleum reserve.

[Introductory remarks]

MS. QUICK:

We will now hear from anyone here this evening who would like to make a statement for the record.

DOUGLAS RHODES:

I'd like to make a comment on the ground water that's being dumped in the Gulf of Mexico. Can you tell me that they don't have mercury and toxic chemicals in that ground water?

MR. JOHNSON:

No. There will be no toxic chemicals or mercury going into the Gulf. All the discharge is tested and the salt is pure salt that comes out of the salt domes.

MR. RHODES:

Well, I worked in the oilfield for 38 years and I know oil itself is so polluted until it ain't funny, and this ground water is going to be passing through that oil,

1 to be deposited in the gulf.

2 MR. JOHNSON:

3 I can answer part of your question relating to the
4 toxicity of the discharge. We have permits for those
5 discharges, and part of the permitting from EPA, and also
6 the state agency, which requires that we test the actual
7 samples of the water with shrimp and minnows to determine
8 whether the water itself has any toxic effect, and those
9 samples are required to be done initially quarterly, and
10 then twice a year, and there's a very rigid methodology
11 for doing that. If those minnows or shrimp show any
12 effects from it, then we have to do additional testing and
13 sampling. So even though there's nothing in it except
14 salt water, and even though we have control, in terms of
15 oil and grease and pH and other chemical parameters, in
16 addition to all of that, the toxicity itself -- it's
17 actually sampled against organisms. We've had experience
18 with this for many, many years and have never had any
19 adverse toxicity effects.

20 DOUGLAS RHODES:

21 Thank you, sir. The other question is we're in a
22 flood-prone area. Can this site take eight or nine foot
23 of water from a category 5 hurricane?

24 MR. JOHNSON:

25 Absolutely. You mean will the oil leak out into the

1 water and all that?

2 DOUGLAS RHODES:

3 Yeah. Suppose the water covers your facilities.

4 MR. JOHNSON:

5 The oil is all stored two and a half thousand feet
6 below the surface. They're all pressure tight. They're
7 capped off. They're totally sealed. There's no way they
8 can leak back into the surface waters.

9 DOUGLAS RHODES:

10 What about your tanks above the ground?

11 MR. JOHNSON:

12 Except for one site, we don't have any tanks -- we
13 don't plan to have any tanks above ground.

14 DOUGLAS RHODES:

15 My question has been answered. Thank you.

16 MS. QUICK:

17 Thank you very much. That certainly was a mixture in
18 terms of the gentleman asking clarifying questions and
19 also comments, and we did hear from you that there were
20 some issues that you want to be sure that the
21 environmental impact statement looks at, which has to do
22 with the safety issues, both in terms of chemicals that
23 might reach the gulf and the effects of the storm on the
24 facilities. Anybody else have a comment or a clarifying
25 question?

1 W.J. RHODES:

2 If I could just expound on a few things?

3 MS. QUICK:

4 Could you say your name?

5 W.J. RHODES:

6 W.J. Rhodes. I've worked in the industry also.
7 There's something they're doing -- it really is about 40
8 years too late, because I made a study when I was in
9 college during the second world war, and right after the
10 war they got the idea -- the powers that be -- that we
11 should stock up all these things, different minerals and
12 all that, so there would be no shortages. There were some
13 extreme shortages during the war. The main thing they
14 didn't think about is, and the most important thing, was
15 petroleum. If they would have started on a program then
16 and went to some countries that could have given us the
17 oil in payment -- for instance, the Russians still owe us
18 today \$14 billion that they never paid.

19 That's interesting because when you think about the
20 scheme of this thing, how it's laid out, I didn't hear
21 anybody experience -- and they said this started in 1975 -
22 - or since 1977, the first year they started, people could
23 bid on watching after the soil and managing it. And years
24 have passed -- McDermott bid it some years -- and now it's
o 25 over \$750 million a year to maintain this oil. \$750

1 million a year, and you go back to 1977 and multiply the
2 years, and then you extrapolate those figures and then you
3 come to the place where the President says he's going to
4 release 20 million barrels of oil to ease the gas shortage
5 -- to ease the shortage, not to make it cheaper. So they
6 give Exxon 20 million barrels, and Exxon replaces it by
7 their own. There's no money exchanged. So Exxon goes to
8 their domestic stock -- it's not costing \$63 a barrel.
9 They produce it from three -- and Shell Oil, too, and
10 Texaco -- they produce it from three to seven dollars a
11 barrel. So that gives you 20 million barrels back, and
12 then they make that much more profit. I'm not taking a
13 cheap shot. I'm not saying that these people take
14 advantage, but they certainly will.

15 After the second world war ended, if they had been
16 smart -- all they had in reserves was at Elk Hills, the
17 Naval reserves, that could be drilled up. It was supposed
18 to be perpetual; it could never be touched. Well, it's
19 already been touched because they sold some of it off.
20 It's being used. But if they had a strategic plan for
21 three billion barrels -- a billion barrels sounds like a
22 lot of oil, but if you could have bought the oil for \$2 a
23 barrel -- three billion barrels of oil -- then you should
24 have one storage site in the Mississippi River Valley and
25 one on the west coast and one on the east coast, and you

1 would have had a supply of oil in strategic places. Now
2 they claim we don't have the refineries.

3 But in selecting these sites, there's some economics,
4 too. Why would you go to Texas? Go to Chacahoula. It
5 starts from the word "go." I mean, just start from square
6 one. Run all the pipelines again, build a storage
7 facility, and remember -- remember this, the \$700 million
8 to manage it every year, that's before you buy the oil.
9 You have to buy the oil. So, in other words, go over here
10 to Clovelly, where your sources of -- the pipeline is
11 already existing, so just expand the facilities and forget
12 about a place like Chacahoula. Now, when you get into
13 politics, they want the 100 jobs. The sheriff will tell
14 you he needs that tax income. But what I'm saying is, I
15 wonder where this thing is going, if it takes ten years to
16 get 100 million barrels of oil. It just doesn't make
17 sense. From this day forward, whenever they give somebody
18 oil, remember what you're doing to us, everybody in this
19 room. We all drive cars. In other words, the President
20 did a noble thing; he got some oil for us. We already
21 paid for the oil, and now we have to pay at the pump again
22 for the oil.

23 Like I said, we need to extrapolate the figures of
24 what the government is doing. We talk about \$42 a barrel
25 for oil. Well, it's probably, with those figures -- what

1 it costs us and then other things all over the world, we'd
2 probably pay \$95 a barrel for oil. Now, the government
3 doesn't like what I'm saying, but I have the right to say
4 it. I have very little -- I'm not accusatory of anyone;
5 I'm not blaming people. I'm not saying -- they made a
6 very serious mistake after the second world war, and now
7 they waited too late to do something like this. In spite
8 of what I'm saying, what my connotation is -- what I'm
9 saying is I am for this, but for God's sakes do it the
10 best possible way. Most of the people you're aiming at,
11 they know nothing about the oil industry. Shell Oil and
12 Exxon-Mobile just happen to produce oil, but their main
13 operation is to make money, and there's no shortage of oil
14 today. The ridiculous thing about it is, when you talk
15 about this reserve, wouldn't it be nice if it actually
16 made it go down? It's not going to make it go down. No
17 way it can do that. But if we could get in a place where
18 we could prove -- in other words, there's a hurricane out
19 there tonight. Suppose it comes into the gulf. Who is
20 worried the most about that? These guys are running
21 around screaming and hollering, the Mercantile Oil
22 Exchange in New York City. They're fudging. We call that
23 in the oilfield "sandbagging," getting ready for the
24 flood. So all these guys up here never drilled an oilwell
25 and don't know the first thing about them. I've spent

1 many a night out there in the gulf and in miserable swamps
2 in Louisiana, and it took a special man because we worked
3 24-hour calls. I was an operations manager. But the guys
4 who run it, they pay the price. If you start running pipe
5 tonight, you may get on the bottom Saturday morning, and
6 most of our time you're up, you're awake.

7 At any rate, what I'm trying to say is if you have
8 all these things going on, why can't you get somebody in
9 Congress who has enough sense to say, "Wait a minute, you
10 guys should have a windfall profit stock," because I've
11 been checking it. I've found out what an oil company
12 makes. Some guys we don't like -- the IRS -- they get the
13 cost of it from the refineries. That's the only source
14 they have. Shell Oil Company is a foreign company. They
15 operate from afar, and they could care less about things
16 like infrastructure and stuff like that. So, in other
17 words, on the backs of the American people, we are
18 financing a place for them. Who has the facilities to
19 drill? It's the oil companies. They have the refineries.
20 What I'm saying is a strategic reserve --

21 This lady doesn't understand politics. She doesn't
22 understand. But, anyway, I think I should quit because --
23 I don't have to bring it around. What I'm telling you is
24 it's a good source, but for God's sake, do it as cheap as
25 you can. Don't go to a virgin place and do all this stuff

1 when you've got existing facilities to do it. That's all
2 I have to say. Thank you.

3 MS. QUICK:

4 Thank you.

5 MS. RANDOLPH:

6 I have a question and a comment. Speaking of
7 politics, I'm Lafourche Parish President Charlotte
8 Randolph. I will only reiterate what I said to the media
9 earlier when the story first came up, was that because of
10 LOOP's excellent track record, and the fact that so much
11 of the infrastructure is preexisting certainly is
12 something that we would look to more favorably. Both
13 sites, actually -- Chacahoula, a portion of it is in
14 Lafourche Parish. So both sites are under consideration
15 for this. But at the same time, certainly that LOOP site
16 has the existing infrastructure that we can begin this
17 process, and because they've been such terrific stewards
18 of the environment, I think it fits so well with the LOOP
19 and Clovelly site, when your selection comes around.

20 Thank you.

21 MS. QUICK:

22 Anybody else?

23 [No response.]

24 MS. QUICK:

25 We'll close the formal part of the meeting and let me

1 thank you again for coming and we appreciate your
2 comments, and they will be taken into consideration as we
3 scope this environmental impact statement. If you have
4 other comments to make, the commentary ends a week from
5 this Friday, on the 28th of October, and you can leave
6 written comments back there. If you've picked up the
7 materials, there are some addresses that you can use if
8 you want to send some comments in later. In the meantime,
9 we'll close this session and people will be staying around
10 if you want to talk informally. Thank you very much for
11 coming.

12 (Whereupon the proceedings were concluded.)

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C E R T I F I C A T E

I, Paul Stahls, Certified Court Reporter,
in and for the State of Louisiana, do hereby certify that
the proceedings were reported by me and transcribed under
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PAUL STAHL

Certified Court Reporter

